

SESA

Enhance Internal Auditing Function



2015-17 BIENNIAL BUDGET

Request	FY16	FY17	15-17
FTE	3.0	3.0	3.0
GF-State	\$238,000	\$238,000	\$476,000
Total	\$290,000	\$290,000	\$580,000

DECISION PACKAGE SUMMARY

The DSHS Financial Services Administration (FSA) requests funding and three Auditor and Consultant 4 positions to be specifically charged with assisting the Chief Audit Executive to conduct internal audits as outlined in RCW 43.88.160(4) and will assist in carrying out the Internal Audit Plan each fiscal year as required by the Institute of Internal Auditor Standards. By funding this request, FSA/Enterprise Risk Management Office (ERMO) is expected to enhance its offering of an independent, objective audit and consulting activity designed to add value and improve DSHS's operations.

PROBLEM STATEMENT

The Internal Audit Department has decreased in FTEs from 41 in 1988 to its current staffing level of 8.5 FTE. There are approximately 250 identified audit areas in the Internal Audit Universe, which is constantly expanding. Internal Audit will conduct audits of these areas to ensure that assets are safeguarded, policies and procedures are followed, there is accuracy and reliability of its accounting data, client health and safety procedures for residents are followed, and operational efficiency is promoted. Background Checks, Client Resident Funds, Contracts Administration, and Monitoring are significant risk areas to DSHS and should be audited frequently. In addition to the approved annual audit plan each fiscal year, Internal Audit has done significant work in areas of fraud investigation and consultation engagement. It is increasingly difficult, if not impossible, to meet all of the audit and consultation demands in a timely manner within the current staffing levels.

Internal Audit recently completed a Quality Assurance Review (QAR) by an independent external assessor as required by the Institute of Internal Auditors Professional Standards. This review is required every five years. The last review prior to Internal Audit's 2014 QAR was completed in 2006. One of the findings in the report was the following:

"DSHS Executive Management recognizes the need and budgets for a larger, well qualified internal audit staff over the next several biennia. A staff that is suitable to the whole agency and can audit more strategically, has an in depth knowledge of current business and management practices, uses data analytics and Information Technology audits, uses advanced risk assessment and program performance outcomes to increase Internal Audit's value to the whole agency".



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

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Transforming
Lives

PROPOSED SOLUTION

FSA intends to hire three Auditor and Consultant 4 positions to be managed by the ERMO Operation Review and Consultation's Internal Audit Manager should FTEs and funding be provided. These positions will provide statewide coverage. They will be assigned internal audit and consultation engagements outlined on the annual audit plan as directed by the Internal Audit Manager and the Institute of Internal Auditor Standards and described in RCW 43.88.160(4).

The positions will provide an independent and objective review of internal controls of an assigned audit or consultation engagement with respect to safeguarding of assets, compliance with policies and procedures, accuracy and reliability of its accounting data, and promoting operational efficiency. This could potentially lead to cost savings and cost avoidance.

Historically, Internal Audit has not completed performance type audits. DSHS Administrations are requesting that Internal Audit complete a number of performance-based audits in addition to compliance-based audits. These performance audits will have high value and could potentially yield both improved processes and a decrease in expenditures. For example, Internal Audit is currently conducting a performance review of "Client Resident Funds Best Practices."

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EXPECTED RESULTS

DSHS Goals of Health, Safety, Protection, Quality of Life, and Public Trust are part of Internal Audit's guides for state hospitals, institutions, state operated living alternatives, and group homes. The protection of vulnerable clients is reviewed in DSHS internal audits. For example, they ensure the proper administration of client resident funds.

Both internal audits and consultations can assist executive and mid-level management to ensure proper internal controls are in place to support the strategic goals of each administration. Internal Audit can provide an independent, objective assurance, and consulting activity designed to add value and improve DSHS' operations. Internal Audit can help DSHS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and their governance processes.



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The budget request supports DSHS Goal 5: Public Trust – Strong management practices will be used to ensure quality and efficiency

STAKEHOLDER IMPACT

It is anticipated that there would be only positive reinforcement related to the proposed investment from stakeholders. The increase of three FTEs will give increased internal audit coverage, align with both DSHS and FSA's strategic plan, and add value to DSHS. They will assist executive and mid-level management in safeguarding assets, following policies and procedures, and promoting efficiencies as outlined in RCW 43.88.160(4) and the Institute of Internal Auditors Standards.



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